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Making Professional Accounting Accountable: An Issue Doomed to Fail

John F. Mahon and Richard A. McGowan

Accountants essentially regulate themselves in curious ways with what appears to be a minimum level of discipline. The whole thing is conducted in the same manner as necromancy and sorcery in the Dark Ages—in the dark of the moon with very few attendees.

—Rep. John Dingell (Gaines 1985, 3)

Alistair Cooke, the recently retired host of *Masterpiece Theater* and keen observer of U.S. society, observed that Columbus had a twofold intention as he embarked on his voyage: “For Gospel and for Gold” (Cooke 1973, 32). Ironically, Columbus became famous as neither a missionary nor a merchant, but as an explorer.

Professionals also profess to have a dual purpose for using their expertise: to maintain the public good and to serve the interests of their clients or customers. Many professionals have been able to avoid direct public scrutiny of their actions and practices for a long time. Because of their professed goals, professionals have a unique relationship with government that allows them to be self-regulating and self-policing. They offer the following arguments for this unique relationship: (1) because they employ an expert body of knowledge to accomplish their tasks, only other professionals in their field possess the knowledge and skills to evaluate a professional's performance; and (2) since the goal of professionals is to serve the public's interests, why put additional burdens on professional practitioners as they go about their work of service?

Yet it is somewhat ironic that during the last twenty years of active deregulation, many professions have come under increasing pressure to justify their privileged relationship with government and society as a whole. Since most professionals no longer operate as sole practitioners, but as part of a group or part-

nership whose sole purpose appears to be no different from that of any traditional corporation, why should these professionals remain self-policing? Indeed, does this form of regulation best serve the public interest?

In this chapter, we examine how the accounting profession dealt with calls for further regulation. This examination provides the reader with insights into issues facing other mainly self-regulating professions, such as law and medicine, and suggests strategies and tactics that these professions are likely to pursue to deny agenda status to proposals that might erode their autonomy. We first offer an overview of accounting as a self-regulating profession from the 1930s. By the 1970s, several visible scandals involving major accounting firms' malpractice brought demands for federal regulation of the industry. Yet despite the fact that several powerful members of Congress initiated hearings into accounting malpractice, no legislation was ever reported out of committee or discussed on the floor of either house. The profession and its allies employed low- and medium-cost strategies to blunt demands for reform. First, they denied that there was a significant problem, arguing that the scandals misrepresented the work of the overwhelming majority of accounting professionals. Then the industry created its own commissions, which proposed cosmetic changes in accounting practices and gained SEC endorsement for continued self-regulation. Together, these were sufficient to keep the issue of accounting reform off the formal agenda.

SELF-REGULATING PROFESSIONALS: THE CASE OF ACCOUNTING

The professions have traditionally including the following occupations: physicians, lawyers, architects, dentists, engineers, teachers, clergy, and accountants. Although many of these professions have experienced extensive growth, the number of accounting professionals has tripled over the past forty years—a truly remarkable growth, as shown in Figure 4.1. Although the other professions have also grown, this explosive growth in the number of accountants poses some interesting problems for the profession.

According to Friedson (1986), the two distinctive characteristics of a profession are a body of expert knowledge and authority over clients. If these two characteristics exist, the profession has an autonomy that normally results in self-regulation and a strict licensing procedure for its practitioners. When a profession cannot meet these standards, Friedson predicts that the profession will be subject to a “deprofessionalization” process undertaken by various governmental agencies.

The first line of defense for accounting, as for any profession, in denying agenda access to regulatory claims is to assert that the profession's own self-policing mechanisms are more than sufficient. However, in order to make that claim effectively, the profession must maintain legitimacy by possessing both expert knowledge and autonomy from client influence. If this is not done, an oppor-

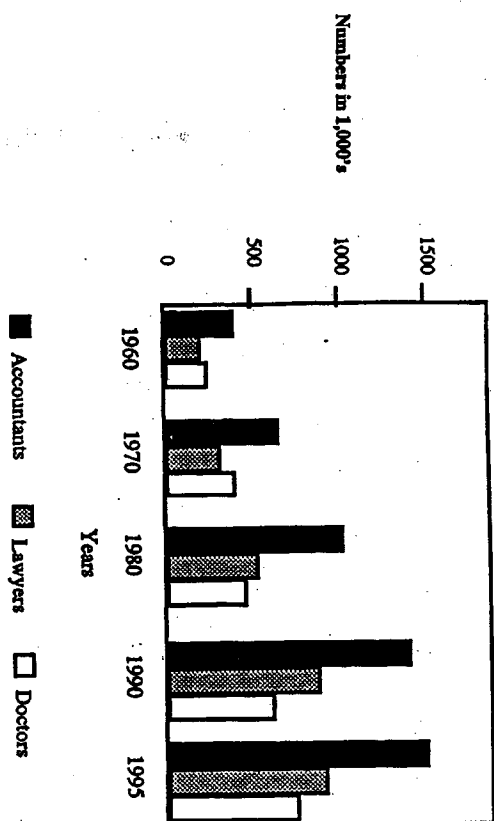


Figure 4.1. Number in Selected Professions. Source: Statistical Abstracts of the United States (1975, 1985, 1992, 1996).

tunity will develop for opponents to demand government regulation of the profession. Attacks on a profession first identify or name an injurious problem that needs fixing (Felshtiner, Abel, and Sarat 1980-81, 635). Blaming occurs when an aggrieved individual or group attributes an injury to another individual or organization. Only after a problem has been named and blame has been attributed can "claiming" occur, as an aggrieved individual or organization seeks a remedy (Felshtiner, Abel, and Sarat 1980-1981; Mahon 1993).

Although this framework analyzes the process of dispute development, it is an incomplete account of how problems get on the formal agenda of a governmental agency or legislative body. In addition to naming, blaming, and claiming, supporters have to attract attention and adherents (Cobb and Elder 1983; Mahon 1989). It is easiest to expand support when a problem has a simple definition, broad appeal, unique aspect, serious concern, and action component. If an issue meets these criteria, the likelihood that it will achieve formal agenda status is enhanced but by no means guaranteed.

A Body of Expert Knowledge?

Critics of the accounting profession have attempted to name a problem by attacking the field's claim to have a body of expert knowledge. This attack focuses on two major points. Whereas accountants maintain that they have a body of non-routine expert knowledge, critics contend that the information they rely on is capable of being routinized, as in computerization. A second point that critics use

to attack accountants' claim to expertise involves public accounting firms' loss of their monopoly as providers of accounting services. Increasingly, information specialists or management information specialists have begun to encroach and expand into areas that accountants traditionally claimed as their domain. The National Society of Public Accountants (NSPA) is an association of unlicensed accountants who are actively engaged in providing bookkeeping and tax services to clients but do not perform opinion audits. Since the traditional public accounting firms do not pretend to offer assurances of reliability to third parties in many of their activities, the NSPA has pressured many state legislatures to permit another sort of licensing procedure besides the traditional certified public accountant (CPA) exam. Similar problems exist in work performed by paralegals and former legal secretaries. These individuals have begun to provide services that are capable of being routinized through technology (e.g., wills, simple property transfers). Lawyers recognize that such work by nonlawyers could call into question their designation as a profession and have vigorously fought such activities. This particular issue does not engender a great deal of public support and debate, because it involves a limited number of parties and is not perceived as having great consequences for the society as a whole.

Authority over Clients?

The second characteristic of a profession is the professional's independence or autonomy from any demands that a client might make on that professional's opinion or judgment. Representative Dingell, a Democrat from Michigan, stated this question of autonomy succinctly when he observed: "How can the independent auditor on the job be expected to maintain independence when his or her personal success is linked to attracting clients and enhancing revenues?" (Johnston 1985, 1). Note that Dingell's interest in this particular problem is a new challenge for the profession because of his position as a powerful, articulate individual serving as an agent for the general public's interest.

In the case of accountants, their independence is being questioned in two ways. First, the consumers of accounting services have gotten into the habit of shopping around for auditors. A firm or corporation pays for an auditor's opinion, but it wants that opinion to confirm its version of the health of the firm. If the firm does not get the opinion it wants, it goes out and finds a public accounting firm that will give it a clean bill of health. A classic example of this type of behavior involved a small Oklahoma bank, Penn Square, which federal regulators had to close in July 1984. This bank eventually forfeited on over \$2 billion in risky loans to oil speculators using funds from such prominent banks as Chase Manhattan Corporation and Continental Illinois National Bank. Where were the auditors? Penn Square had received a qualified opinion of its financial statements from Arthur Young because of a lack of adequate reserves for possible loan losses. So Penn Square fired Arthur Young and hired Peat, Marwick, Mitchell &

Co., which gave Penn Square a clean bill of health. Peat, Marwick, Mitchell & Co.'s opinion preceded the collapse of the bank by only three months (Belkaoui 1989, 117). Although this is an extreme case, it is not uncommon. In 1993, the number of publicly held firms that fired their auditors jumped 48 percent, from 298 to 442. In the vast majority of cases, these firms were not only able to switch firms but also able to have qualified opinions switched to clean opinions (Car-michael 1994, 85). This auditor "shopping" supports comments made by Robert Chator in 1985:

If one were starting from point zero today, I think that it would be judged madness to invent a system where the one to be audited hired the auditor, bargained with the auditor as to the size of the fee, was permitted to purchase other management services from the auditor, and where the auditor in turn had the prime responsibility for setting the rules and for enforcing them and applying sanctions against themselves. (Klott 1985, 22)

A more recent example in which the conduct of an accounting firm appears to have been influenced by the desire to keep a client satisfied involves Coopers and Lybrand. In 1990, Mitsubishi Motors bought control of Value Rent-a-Car. Value Rent-a-Car's 1989 financial statement, which Coopers and Lybrand had certified, stated that its net worth was a negative \$5.9 million. However, after Mitsubishi took over Value Rent-a-Car, its real net worth was actually closer to negative \$10 million. Mitsubishi sued Value Rent-a-Car's owners and Coopers and Lybrand, accusing it of letting Value Rent-a-Car hide its poor financial status.

As Mitsubishi pursued its case, it requested Coopers and Lybrand's audit working papers. Mitsubishi made an interesting discovery: the working papers that it received from the accounting firm differed from those it had obtained from Value Rent-a-Car. In other words, it appears that Coopers and Lybrand revised its working papers a year after the audit to make it look as if it had been tougher on Value Rent-a-Car than it actually had been, to protect itself from charges of neglect (Berton 1995, A1).

Although this case is still being decided by the courts, it appears that the temptation to alter working papers is rising. Since courts accept these papers as proof of an audit's soundness, these charges not only have serious legal implications but also show just how far public accounting firms are willing to go to provide opinions that will please their clients, maintain their relationship with clients, and lead to both retained and increased future business. Abraham Briloff of the City University of New York and an accounting professional has been very critical of his profession. He has characterized accounting as a "private priesthood" that routinely fails to provide the rigorous independent standards implicit in an audit. He has argued that an audit has become a commodity for sale and that accountants should adopt a skull and crossbones logo for their audits as a warning to the public. Briloff has also argued that accounting firms should be

prohibited from offering peripheral services to their clients (Johnston 1985; Klott 1985).

Dingell has used the examples noted above (and others) to strengthen his position for governmental oversight of the profession and to increase the general public's concern about this issue. He is clearly using a symbolic strategy here by highlighting spectacular and widespread failures. Dingell attempted to show the widespread impact on society and that the problem is not likely to go away without some action, because the accounting profession is unable to police itself. He attempted to expand the conflict by bringing the media and the general public into it to support his position. The accounting profession countered his claims by noting that many of these scandals were the result of individual actions and not the actions of the profession as a whole (a low-cost strategy of "anipatterning"). In addition, accountants argued that many of these actions were illegal and covered by other existing laws, so no new action was required.

Another reason that critics of the accounting profession question its autonomy and authority over clients is the increasing consumerism of public accounting firms. No longer are the "Big Six" interested in providing just auditing services. For the past twenty years, revenues from the auditing portion of accounting firms have been either stable or declining. At the same time, these firms have had to hire specialists and in general support bigger staffs. Thus, in order to supplement declining revenues from the audit function (and in some cases to turn a profit), accounting firms have expanded their activities beyond auditing and now provide consulting and other managerial services for their clients. Arthur Anderson has been the most aggressive in this area, but most of the other Big-Six firms are following Anderson's lead. As a result, the conflict of interest between the accountant's duty to accurately represent the client's financial position and the accountant's desire to please that client in order to secure additional engagements is clearer.

Establishment of the Securities and Exchange Commission

The coming of the depression in 1929 brought demands that business reform itself and that government be involved in the process. The creation of the Securities and Exchange Commission (SEC) in 1934 clearly established the idea that government would try to provide greater protection for investors than it had in the past. The SEC also raised the specter of greater federal intervention in other areas of corporate establishment. The appointment of Joseph P. Kennedy as the first chairman of the SEC allowed the business community to breathe a sigh of relief, since he was "one of their own" and would understand their concerns. Kennedy's appointment signaled to business that although reforms were necessary, the general inclination of the SEC would be to keep regulation of business and corporate affairs to a minimum.

In trying to protect the public from unsafe securities, one problem that con-

fronted the SEC was the establishment of a uniform accounting theory and principles for every corporation in the United States. The question was how these uniform standards ought to be established. Should the government or the private sector set the standards? With Kennedy in command of the SEC, there was little doubt that the issue would be solved in favor of the private sector. The argument that won the day centered on the professional nature of accounting work. Only accountants would understand the intricacies of setting and maintaining the rules and regulations needed to ensure that the public was being protected from unscrupulous business interests. Business threw its weight behind this solution, realizing that it preferred to hire private accounting firms rather than foot the bill to train and maintain government auditors. The complexity of the issue and the lack of public interest supported the argument for allowing the accounting profession to set the standards instead of government. The practices of the accounting profession are a result of a series of compromises among business, government, and society over time and are a monument to the American preference to avoid governmental interference if at all possible.

The Accounting Profession on the Defensive: 1976 to the Present

Although government and the business community initially fostered the accounting profession's activities, in recent years, government's attitude toward accounting has become increasingly ambiguous. The various agencies (Cost Accounting Standards Board [CASB], Financial Accounting Standards Board [FASB], Internal Revenue Service [IRS], and SEC) have some influence over the environment in which the accounting profession operates, but they have little desire to expand their control. Congress, however, has been increasingly critical of the performance of the accounting profession, in particular, Democrat John Moss of California and Dingell.

In 1977, Congress enacted the Foreign Corrupt Practices Act, which forbade U.S. corporations to make payments to foreign officials in order to ensure that they would get contracts from various foreign governments. The fact that these illegal payments had been undetected for many years raised questions about the CPAs' effectiveness in identifying and disclosing fraud by management. This question about the quality of accounting services led to the House Commerce Committee's Subcommittee on Oversight and Investigations' examination of the SEC's oversight of the accounting profession. Moss, who chaired the hearings, and other critics of the accounting profession maintained that the profession had not established, and appeared unwilling to create, institutions and sanctions that would ensure adequate protection of the public's interest (Previts and Merino 1979, 318).

In late 1976, Moss introduced a bill whose official title was the Public Accounting Regulatory Act (more commonly known as the Moss Act), which stated as its goals:

To establish a National Organization of Securities and Exchange Commission Accountancy, to require that independent public accounting firms be registered with such an Organization in order to furnish audits reports with respect to financial statements filed with the Securities and Exchange Commission, to authorize disciplinary action against such accounting firms and principals in such firms (H.R. 13175, 94th Congress)

Other provisions of the bill included:

- Only one member of the commission's five-member board could come from a public accounting firm.
- The new commission would review the work of every accounting firm every three years. The primary focus of the work would be the "public interest."
- CPA firms' liability would be greatly increased. Under this act, they would have been liable even when a business deliberately intended to defraud or mislead the auditors.

Needless to say, the accounting profession saw this bill as a great threat. In response, it mustered all its forces to oppose serious consideration and enactment of the bill. On the side of industry once again was the complexity of the issue and the general public's disinterest. The industry mobilized its allies to state in writing and in testimony before Congress that no such change was necessary, as adequate protections already existed—that is, there was ample legislation already in place, and no new legislation was needed.

Marshall Armstrong, chairman of the FASB, was outraged by congressional actions against the accounting profession and led the counterattacks on this legislative incursion into accounting. He argued that the House Commerce Subcommittee's report was "highly misleading" and that the subcommittee "failed to comprehend the difficulty of achieving agreement on accounting concepts" (Andrews 1976a, 55). As an example of this failure to comprehend the complexity of accounting, Armstrong noted that the subcommittee confused "accounting with auditing and wrongly blamed accounting standards for corporate fraud and illegal payments" (Andrews 1976a, 59). Armstrong received support on this issue of complexity and misunderstanding from Wallace E. Olson, chairman of the American Institute of Certified Public Accountants (AICPA). Olson observed: "They [Congress] tell us our arguments are far too complex, too complicated" (Andrews 1976b, 1). Another observer of this unfolding conflict noted that Congress seemed "somewhat mystified as to precisely what it is that accountants do" (Andrews 1976b, 1).

This approach to the issue—on grounds of complexity and misunderstanding—was not the only tactic that the industry pursued. In a direct attack on the subcommittee's credibility, Armstrong derided its overreliance on a single accounting witness's testimony. He argued that this testimony was a "mess of misinformation" and that the "typically cautious and complicated arguments" would

be lost in high-level Washington politics (Andrews 1976a, 55). Finally, the industry attempted to blur the issue by arguing that the problems with accounting were a result of the distorted legal system, which allowed accountants and auditors to be sued for malpractice for making honest errors. To solve some of the problems with accounting, the legal system's approach to malpractice would have to be changed (Ronen 1977, 14).

Moss retired from Congress before any action was taken on his proposal. At the time of the Moss hearings, Democratic Senator Lee Metcalf of Montana held hearings and came to a very different conclusion. His committee report recommended that the private process be allowed to continue as currently constituted. The SEC, however, was perhaps the profession's most valuable ally in opposing this bill, even though it would have gained a great deal of power from its enactment. The SEC argued that it had undertaken a record number of disciplinary actions against accountants in the past and had barred several large public accounting firms from taking additional audits from SEC clients. In essence, the SEC argued that it would be no more capable of detecting fraud than were public accountants, and the SEC certainly did not want to be the target of the public's ire by giving its seal of approval to an audit that later proved to be faulty. In this conflict, the accounting profession generally employed low-cost strategies, particularly using the support of Metcalf and the SEC in articulating a powerful position that no serious problem existed that could not be dealt with through self-regulation.

The accounting profession also sought to placate Moss by requiring all members of the AICPA to undergo peer review every three years. Another public firm would conduct this review to ensure compliance with AICPA quality-control measures. Thus, by enacting self-regulatory measures, the accounting profession satisfied congressional concerns. Accountants recognized that "quick action was necessary to forestall imminent legislation aimed at imposing governmental control on the profession," but they also knew that "some semantic sleight-of-hand" was necessary to get the proposals passed (Rankin 1977, 57). These measures would be much less costly than government control and would also assure the public that the profession was taking steps to protect the public's interest. Note, however, that this was a clever strategy on the part of the accounting profession to offer a relatively cheap, symbolic fix (tokenism) to the problem by adding yet another layer of self-regulation.

Upon Moss's retirement and Metcalf's death, congressional interest in accounting regulation diminished. Although Senator Thomas Eagleton, a Democrat from Missouri, held additional hearings in 1979, the profession mounted a spirited counterattack, including public support and testimony from the chairman of the SEC for continued self-regulation and oversight by the SEC (Lee et al. 1988). At this point, congressional critics were in a difficult situation. The very agency that could be more active in regulating the accounting profession continued to side with accountants on these issues and argue for self-regulation.

A new line of criticism of the accounting profession began to emerge in 1987, less than ten years after the failure of the Moss bill. Dingell, the new chair of the House Commerce Committee's Subcommittee on Oversight and Investigations, conducted hearings that centered on the independence of public accounting firms from their clients. The collapse of the Wedtech Corporation, a Bronx-based defense contractor, in December 1987 was the scandal that provided the impetus for these hearings. The company was charged with and admitted forging over \$6 million in invoices submitted to the federal government. As the story was told, there was evidence of political payoffs as well as accounting sleights of hand. Again, the question was asked: how could this corporation receive a clean bill of health from its auditors? It appears that Wedtech was able to get cooperation from the accountants when the partner of KMG, the accounting firm that conducted Wedtech audits, was offered the presidency of the firm, along with \$1.5 million in stock and a \$900,000 loan (Belkaoui 1989, 115).

Dingell used the Wedtech case to launch hearings on the independence of accounting firms from their clients. The accounting profession easily countered, saying that the case was atypical, employing its antipatterning argument. Although the independence issue was connected to audit failures resulting from faulty accounting procedures and standards, Dingell quickly challenged another facet of the independence question, namely, the scope of services being offered by accounting firms. By the 1980s, the accounting profession had invested heavily in its consulting "product" line, and while audit services were barely registering growth, the consulting part of public accounting firms was growing at an annual rate of 20 percent. Indeed, the largest consulting firm in the United States was Andersen Consulting, which was part of a major public accounting firm, and four of the top ten consulting firms were connected with public accounting firms. Therefore, any attack on the independence of public accounting firms was also an attack on the area that provided them with their greatest opportunity for growth.

Dingell proposed legislation under which public accounting firms would have been prohibited from offering consulting services to their audit clients. Once again, the SEC came to the rescue. It maintained that the Dingell proposals were too draconian and that the benefits that clients received from the detailed knowledge of its auditors outweighed any possible negative effects on the auditors' objectivity—an argument raising fears that the "fix" would make the existing situation worse. The accounting profession made some token concessions, offering to prohibit consulting services if the consulting fee was 50 percent of the audit fee and barring accounting partners from taking executive positions with their clients (Previts 1985, 131).

The profession also continued to advance some of the themes argued earlier in the Moss debates and to expand the potential concerns that Congress would have in the future. The problem with accounting, accountants said, lies in the legal system and liability laws. "If a solution to the liability problem is not found soon, some accountants fear that there will not be enough auditors to do the kind

of investigations necessary to issue an opinion on a public company. If that happens, the financial information that investors depend on could be much less reliable" (Berg 1987, 4). Accountants cleverly argued that failure to address the problem with the legal system could have spillover effects in the investor community. Accountants continued to highlight the failure of the public and Congress to understand the complexity of the profession. For example: "It is impractical for auditors to check a company's every transaction, and since the auditors must ultimately rely on the basic integrity of management, it is impossible for auditors to catch every case of cheating" (Berg 1987, 4).

The profession shifted the blame for its problems from accounting and auditing to the credibility and honesty of management. Bob Elyson, managing partner of the Miami office of Coopers and Lybrand, stated the problem simply and succinctly: "We've tried to explain to Chairman Dingell and to the public that there is an expectations gap. People really don't understand what accountants do. They incorrectly assume that a business failure must mean that there was an audit failure as well" (Feinberg 1987, 9). As in the Moss situation earlier, accountants rushed to offer new self-regulatory proposals to "defuse criticisms in Congress that many C.P.A.'s have been lax in audits of public companies" (Berg 1988, D2).

Once again, the accounting profession had survived a rigorous attack from powerful congressional critics. The SEC, the very agency that Congress had given the power to regulate the accounting profession, turned down yet another opportunity to gain and wield power over this profession. Meanwhile, the accounting industry was able to make minor changes to mollify its congressional critics while still maintaining its basic self-regulatory stance and independence from government and from any major changes in its policies and procedures.

THE POLITICS OF AGENDA DENIAL

This short history of the accounting profession provides an overview of its successful four-decade effort to deny serious agenda consideration of challenges to the profession. Considering all the scandals over the last two decades (Baldwin-United, Continental Illinois, Drysdale Governmental Securities, Penn Square, United American Bank, Value Rent-a-Car, and Wedtech) in which the accounting profession was involved, the lack of significant, substantive overhaul of the regulation of the profession is remarkable. How has the profession been able to resist erosion of its position?

Source of the Issue

Where did the issue of accounting regulation come from? The legislators who named the problem seemed to be in a position to render a decisive defeat to

the industry. Yet Dingell, Eagleton, and Moss were unable to define the issue in a way that attracted sufficient support from other key stakeholders—including the media and those governmental agencies responsible for oversight. As a consequence, it was difficult for them to build the coalition necessary to get the issue on the agenda for serious consideration.

Dingell had prior investigatory successes: forcing an Environmental Protection Agency administrator (Burford) from office, having a presidential adviser (Deaver) convicted, catching the founder of the nuclear submarine (Rickover) in questionable deals, exposing waste in the Pentagon, and revealing corruption in the genetic drug industry. Yet reputation is not the same as political effectiveness, and the strategies he pursued against the accounting profession were easily blunted. Not that he did not emphasize the seriousness of the problem. In fact, Dingell emphasized that the issue was a new one that harmed many people. He portrayed the accounting profession as an industry out of control, with widespread and frequent failures, and as a monopoly requiring closer regulation in the public interest.

Saying who was responsible for the problem—blaming—was complex, just as the question of what constituted an audit failure was technical, making it hard to engage the public. Many of the situations involving accounting firms also involved individual or corporate misbehavior, and it was not clear whether these were exceptional instances of wrongdoing or a systematic industrywide pattern. In addition, those most likely to be harmed in the future (corporations) were wary of additional governmental involvement in their businesses. Finally, when specific demands were made on government by these legislators, the agency most likely to be supportive of such actions, the SEC, rejected the idea of increasing its authority, power, and visibility. Much of the momentum for change was lost when the SEC supported the accounting profession's position of continued self-regulation.

In short, the issue of regulating the accounting profession never progressed farther than congressional hearings. The supporters of change in accounting regulation were never able to demonstrate, in Cobb and Elder's (1983) terms, the social significance and relevance of the issue in nontechnical terms that had appeal to the general public and the media. Indeed, the very existence of the SEC and of the accounting profession's self-regulatory mechanisms served as effective barriers to the categorical precedence argument that was raised.

Agenda Setting, the Role of Symbols, and Strategies Pursued by the Accounting Profession

Regulating the accounting profession does not intuitively appeal to many political actors. The congressional leaders involved were never able to mobilize widespread support for the issue, and the attentive public and the general public were never involved at all. The accounting profession seized the high ground and

was able to obtain the support of the attention groups most likely to be affected by any changes in the status quo—the business community and the governmental agencies charged with oversight. As a result, the legislative initiatives simply collapsed and never moved beyond the subcommittee or committee hearing stage.

The accounting profession had three related arguments to use against increased federal government involvement that were also powerful symbols themselves. The first was that the industry was already subjected to a great deal of oversight from both the government and private oversight groups, in addition to self-regulation. Accountants argued that regulation and oversight from the SEC, IRS, CASB, and FASB and state involvement in certification and education were sufficient for one industry. Second, they asserted that a significant portion of self-regulation is based on state-mandated certification and licensure and that federal regulation would infringe on powers reserved to the states. Finally, although never raised directly, the specter of the federal government and its agencies having access to firm-specific data raised the fears of the business community, which was more worried about increased governmental knowledge of company operations and financing than about potential errors and problems caused by the accounting profession.

As a result, the accounting profession was able to use low-cost strategies to attack the proponents' reform proposals, arguing early and often that there was no systematic problem to deal with. As a consequence, the accounting profession initially pursued strategies of nonconfrontation, opting to have friendly legislators such as Metcalf and the SEC argue its case. The effective use of low-cost strategies placed legislators such as Dingell and Moss in an awkward position. In order for them to win on the issue, they would have to raise their level of involvement and enlist the support of a broader set of stakeholders. Yet in order to be successful, they would have to define the issue in such a way as to appeal to a broader constituency and possibly dilute the focus of their attack.

Eventually, the accounting profession's refusal to admit the existence of a problem proved insufficient, when scandals involving Penn Square, Value Rent-a-Car, and Wedtech received press attention. Then the profession moved to an antipatterning strategy, agreeing that these cases revealed a problem, but defining them as isolated instances. The industry pursued other medium-cost attack strategies that proceeded on several fronts simultaneously and were the key to the industry's continued success in denying agenda access. Accountants argued that proposed changes were built from faulty premises. The general performance of the accounting profession was excellent, they said, isolated examples of problems did not demonstrate a pattern requiring major overhaul of the current system. Tweaking of the system was all that was needed. Accountants also argued that further involvement of the government would undoubtedly add costs to the auditing process that would have to be borne by the client (and, in all likelihood, passed on to the firm's customers), with no appreciable difference in performance over what was currently available. Interestingly, the industry was careful

never to engage in a direct attack on either the SEC or a member of Congress trying to regulate it. Accountants never placed blame on lax SEC oversight, not wanting to create a powerful enemy of an agency that has consistently served the industry's interests. Nor did they want to antagonize representatives whose ire could cause future problems.

In addition to pursuing these attack strategies, the industry used symbolic placation strategies, such as creating committees to study the problems. Commissions that have been established over the years to investigate problems and issues with accounting include the Cohen Commission, which studied the responsibilities of auditors; the Treadway Commission, which looked at fraudulent financial reporting; and the Anderson Committee, which developed recommendations for mandatory quality reviews (Bollinger et al. 1993). Each of these commissions or committees was considered a blue-ribbon panel, and each of them recommended changes to be undertaken by the accounting profession. They also, in some cases, recommended specific legislative and regulatory actions to be undertaken by the government. However, few, if any, of the recommended governmental or regulatory actions were ever implemented.

The profession frequently argued that the errors and problems noted in its own self-regulation were gross exceptions and therefore did not require draconian responses. Finally, the profession was able to co-opt a potential strong supporter of change—the SEC. In each and every case that we reviewed, the SEC was either silent on any proposed change or strongly supportive of the accounting profession's stand on the issue. This deprived Congress of a strong and influential ally in altering the legislative and regulatory framework for oversight of the accounting profession.

CONCLUSION

The accounting profession has been extraordinarily successful in turning back proposals that would subject it to federal regulation, which would erode its professional status and independence. It has done this by forming a long-standing alliance with the SEC and having the SEC serve as the industry's agent in resisting major change to the regulatory status quo. This alliance with the SEC has allowed the accounting profession to blunt the impact of any potential legislative interference. The industry has cleverly managed the agenda denial process by arguing that the very complexity of the auditing function is best left to those with the expertise to understand it, by the effective use of symbolic arguments and focused attack strategies, and by co-optation of a key player in any future change in the legislative and regulatory environment (the SEC). The inability of the industry's major critics to craft an appeal to broader stakeholders has contributed enormously to the accounting profession's ability to deny agenda access to regulatory proposals.

The primary focus of the accounting profession's critics is the independence issue, which has become an even greater concern as more accounting professionals have joined firms or partnerships. It is interesting to note that all the regulatory reforms in the last twenty years have been aimed at accounting firms rather than individual professionals. Hence, it appears that the independence of a profession is linked to the economic structure of the industry. We hypothesize that the more a profession is organized around firms and partnerships, the more likely the public is to question its professional status and perhaps seek renewed investigations.

As with any industry, the accounting profession has to be concerned with any high-visibility scandals that will cause the public to question its ability to self-regulate. In our view, the essential ingredient in achieving success in changing the oversight of a profession and gaining access to the agenda is the capture of the general public's interest and support of such change. This undoubtedly requires a simplification of the issue for the public's consideration and strong support from the media in publicizing the issue and expanding it beyond the ability of the profession to control it.

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